



J. TYLER McCAULEY
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

April 29, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **REVIEW OF SAND HILL GROUP HOME, INCORPORATED – A GROUP
HOME FOSTER CARE CONTRACTOR**

Attached is our report on Sand Hill Group Home, Incorporated (Sand Hill or Agency) fiscal operations for the period January 1, 2002 through December 31, 2002. Sand Hill is licensed to operate a group home with a resident capacity of six children. During our review period, the Agency received a total of \$267,382 in foster care funds from the Department of Children and Family Services (DCFS). Sand Hill is located in the Second Supervisorial District.

Scope

The purpose of our review was to ensure that Sand Hill has complied with the contract and appropriately accounted for and spent foster care funds on allowable and reasonable expenditures in providing services to children placed in the Agency's care. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County fiscal guidelines governing the disbursement of group home foster care funds.

Summary of Findings

We identified \$11,307 in expenditures that are not supported or inadequately supported by original receipts. In addition, we noted \$3,177 in unspent funds that should have been used to purchase children's clothing. We also noted that the Agency needs to

strengthen its internal controls over bank reconciliations. Details of our findings are discussed in the attached report.

We have recommended that DCFS resolve the unsupported/inadequately supported expenditures and unspent clothing funds and if appropriate, DCFS should initiate collection of all disallowed amounts and request the return of unspent funds. In addition, DCFS must ensure that Sand Hill's management strengthens its internal controls over bank reconciliations. DCFS should also monitor to ensure that the corrective actions taken results in permanent changes.

Review of Report

We discussed our report with Sand Hill's management on April 13, 2004. They have agreed to provide DCFS with a written response and corrective action plan within 30 days of the report date. In addition, DCFS indicates that it will provide your Board with a written response within 60 days detailing the resolution of all findings contained in the report. We thank Sand Hill's management and staff for their cooperation during our review.

If you have any questions, please contact me, or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:RL

Attachment

c: Chief Administrative Office

David E. Janssen, Chief Administrative Officer

Claudine Crank, Budget Analyst, Budget & Operations Management Branch

Department of Children and Family Services

David Sanders, Ph.D., Director

Angela Carter, Deputy Director, Bureau of Administration

Joan Smith, Deputy Director, Bureau of Finance

Edward Sosa, Interim Division Chief, Quality Assurance Division

Sand Hill Group Home, Incorporated

Gene Brown, Executive Director

Board of Directors

California Department of Social Services

Cora Dixon, Chief, Foster Care Audit Bureau

Sheilah Dupuy, Chief, Foster Care Rates Bureau

Violet Varona-Lukens, Executive Officer

Public Information Office

Audit Committee

Commission for Children and Families

SAND HILL GROUP HOME, INCORPORATED
REVIEW OF GROUP HOME FOSTER CARE CONTRACT

BACKGROUND

The Department of Children and Family Services (DCFS) contracts with Sand Hill Group Home, Incorporated (Sand Hill or Agency) to provide the basic needs and services for foster care children placed in the Agency's care. The Agency is licensed to operate a group home with a resident capacity of six children. Sand Hill is located in the Second Supervisorial District.

Under the provisions of the contract, the County pays Sand Hill a monthly rate for each child, based on the Group Home Annual Rate determined by the California Department of Social Services (CDSS). During our review period, January 1, 2002 through December 31, 2002, Sand Hill received a monthly rate of \$4,479 per child placed in the group home. During this period, the Agency received a total of \$267,382 in foster care funds from DCFS.

APPLICABLE REGULATIONS AND GUIDELINES

Sand Hill is required to operate its group home in accordance with certain federal, State, and County regulations and guidelines. We referred to the following applicable regulations and guidelines during our review:

- Group Home Contract, including Exhibit I, Auditor-Controller Contract Accounting and Administrative Handbook (A-C Handbook)
- Federal Office of Management and Budget Circular A-122 (Circular), Cost Principles for Non-Profit Organizations
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

REVIEW OF EXPENDITURES

Unsupported/Inadequately Supported Expenditures

Per A-C Handbook, all revenues and expenditures shall be supported by original vouchers, invoices, receipts, cancelled checks or other documentation. Unsupported expenditures will be disallowed on audit. We identified \$11,307 in expenditures that were either not supported or the support provided was inadequate.

- \$10,000 paid to the group home Executive Director. The Executive Director stated that he had loaned money to the Agency for start up costs in 1992 when the group home was incorporated. However, there were no loan agreements established or any other support such as deposit slips detailing the amount loaned by the Executive Director to the Agency.
- \$1,307 in inadequately supported cash allowances for children. Section 19 of the Contract's Statement of Work requires the Agency to provide children with a cash allowance. We reviewed the Agency's check register and noted \$4,425 in payments to the Executive Director and his wife, a Child Care Worker, to be used as cash allowances for foster children. However, our review of the Agency's Allowance Log disclosed only \$3,118 in payments to the children. Therefore, we question the difference of \$1,307 as inadequately supported costs.

Unspent Clothing Funds

Section 22.5 of the Contract's Statement of Work, requires the Agency to provide a regular monthly allocation of at least \$50 per child to be spent on clothing. Each child may decide to carry over a month's clothing allowance for use in the following month, which provides a banked maximum of \$100 for additional clothing for the child. As of December 31, 2002, the Agency should have spent \$6,241 for clothing during our review period (\$6,541 less \$300 for three boys who were each allowed to accrue and bank \$100 for clothing allowances). The Agency only provided us with receipts totaling \$3,064 to support the purchase of clothing for children. Therefore, we question the difference of \$3,177 as unspent clothing funds.

Recommendations

1. **DCFS management resolve the \$14,484 in unsupported/inadequately supported expenditures and unspent clothing funds. If appropriate, collect any disallowed amounts and request the return of unspent funds.**

In order to appropriately account for group home funds, and administer the program in compliance with the terms of their agreement with the County, Sand Hill should implement the following recommendation:

- 2. Sand Hill management maintain adequate supporting documentation for all Group Home expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

Bank Reconciliations

Section B.1.4 of the A-C Handbook states that bank reconciliations should be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed by both the preparer and the reviewer.

We reviewed the bank reconciliations prepared by an independent contractor specializing in accounting and payroll services for each month during 2002 and noted that the bank reconciliations were prepared an average of 90 days after the bank statement date. The preparer indicated that the Agency does not provide him with the bank statements in a timely manner to prepare the reconciliations. In addition, because the reconciliations were not signed or dated, we could not determine whether the Agency's management had reviewed the reconciliations.

Recommendations

Sand Hill management:

- 3. Ensure bank reconciliations are prepared within 30 days of the bank statement date.**
- 4. Sign and date monthly bank reconciliations to document that the reconciliations have been reviewed and approved.**